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**From:** [REDACTED]  
**Sent:** Thursday, April 11, 2013 8:41:25 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Bcc:**  
**Subject:** RE: question

Section 706(a) requires, in effect, that partnership income/loss accrue to the partner on the last day of the partnership taxable year. Thus, for the first two taxable years of the settlement, [REDACTED] and [REDACTED], the income would accrue to the first parents consolidated return since the partnership income accrued during the periods covered by these two returns.

As I understand the facts, the parent changed for one of the partners in [REDACTED]. Since the [REDACTED] partnership year ended while the sub partner was owned by the new parent, the partnership income for this entire taxable year would only be reported on the new parent's consolidated return. So only the new parent would sign the settlement agreement for this year.

The signature line of the Form 870-PT can reflect that the first parent is signing only for [REDACTED] and [REDACTED] partnership taxable years and that the new parent is signing only for the [REDACTED] partnership year.

The terms of the settlement, which cover all partnership items for three separate partnership years should not be altered.

I think this is consistent with what everybody is saying, but perhaps was not previously articulated as precisely.